WHAT IS CLAIMED IS:

Sub a1

1. A method of reducing periodic earnings volatility associated with a hedged exposure, the method comprising:

   accounting for a financial exposure and an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument, the portion being determined based on a price sensitivity of the hedging instrument with respect to changes in market value of an underlying instrument; and

   in each of a plurality of sequential periods, redesignating the portion of the financial exposure based on changed price sensitivity of the hedging instrument.

2. The method of claim 1 wherein the hedging instrument comprises an instrument selected from the group consisting of a put option, a call option, and a derivative.

3. The method of claim 1 wherein accounting comprises accounting in accordance with Financial Standards Accounting Board Statement Number 133.

4. The method of claim 1 wherein:

   the financial exposure is associated with changes in market price of the underlying financial instrument; and

   the hedging instrument is an option to exchange a first amount of the underlying financial instrument at a first price on a maturity date.

5. The method of claim 4 wherein the first amount is substantially equal to a total value of the financial exposure.

6. The method of claim 4 wherein the underlying instrument is an instrument selected from the group consisting of a currency, a commodity and an interest rate

7. The method of claim 1 further comprising:
for each of the plurality of sequential periods, computing a change in the value of the designated exposure in each one of said periods and a change in value of the hedging instrument during corresponding ones of the periods.

8. The method of claim 1 wherein:
the price sensitivity comprises a delta value;
the financial exposure is associated with an anticipated exchange of an amount of a foreign currency at a future date; and
the hedging instrument comprises an option for a future exchange of the amount of the foreign currency.

9. The method of claim 8 wherein the future exchange comprises an exchange selected from the group consisting of a put option and a call option.

10. A method of reducing periodic earnings volatility associated with a hedged exposure, the method comprising:
accounting for a financial exposure and an associated hedging instrument, the hedging instrument comprising a first and a second part, wherein changes in the value of the first part substantially offset changes in value of the financial exposure;
designating a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta of the second part; and
in each of a plurality of sequential periods, redesignating the portion of the first part such that the remainder of the first part offsets the delta of the second part.

11. The method of claim 10 wherein:

the second part comprises a residue part;

the portion of the first part comprises a portion having an accounting designation as a hedge of the financial exposure.

12. A method of accounting for a hedged exposure, the method comprising:

procuring a hedging instrument to hedge a total exposure value of a financial instrument; and

at a beginning of each of a series of sequential time periods,

calculating a designated portion of the total exposure value based on a current sensitivity of a price of the hedging instrument and the value of the exposure, and

accounting for the hedging instrument as a hedge on the designated portion of the total exposure value; and

subsequent to an end of each time period,

determining a change in the market value of the hedging instrument over a corresponding time period,

determining a change in the market value of the designated exposure over the corresponding time period, and

accounting for said change in market value of the hedging instrument offsetting said change in market value of the designated exposure as other than earnings.

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13. The method of claim 12 wherein the total exposure value of a financial instrument comprises an anticipated receipt of a value of a currency and the hedging instrument comprises an option for a sale of the value of the currency.

14. A computer system comprising:

a processor coupled to a memory comprising instructions to configure the processor to reducing earnings volatility in a derivative account pursuant to FAS 133, the instructions further comprising instructions to cause the processor to:

account for a financial exposure and an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument, the portion being determined based on a price sensitivity of the hedging instrument with respect to changes in market value of an underlying financial instrument; and

in each of a plurality of sequential periods, redesignate the portion of the financial exposure based on changed price sensitivity of the hedging instrument.